

FINANCIAL STATEMENTS

SOUTHERN IOWA COUNCIL OF
GOVERNMENTS AND AFFILIATE
CRESTON, IOWA

September 30, 2012

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Independent Auditor's Report

Board of Directors
Southern Iowa Council of Governments and
Southern Iowa Development Group, Inc.
Creston, Iowa 50801

I have audited the accompanying combined statement of financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. (a non-profit organization) as of September 30, 2012, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on these combined financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2013 on my consideration of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental information identified in the table of contents pages 11 - 21, including the schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Tr. D. Wells CPA

Creston, Iowa
January 10, 2013

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
September 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 1,389,112
Accounts receivable	326,901
Grants receivable	14,253
Current portion of long term loans receivable	<u>150,753</u>
Total current assets	<u>1,881,019</u>

LONG TERM RECEIVABLE - RLF Loans (net of allowance of \$17,710)	1,316,000
Less current portion	<u>150,753</u>
Total long term receivable	<u>1,165,247</u>

PROPERTY AND EQUIPMENT - at cost

Building and equipment	109,799
Less accumulated depreciation	<u>(48,043)</u>
Total property and equipment	<u>61,756</u>

Total assets	<u>\$ 3,108,022</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Notes payable	\$ 23,143
Accounts payable	5,385
Accrued expenses	<u>38,375</u>
Total current liabilities	<u>66,903</u>

LONG TERM LIABILITIES

Payable to EDSA	<u>31,228</u>
Total long term liabilities	<u>31,228</u>
Total liabilities	<u>98,131</u>

NET ASSETS

Unrestricted	1,134,501
Temporarily restricted	<u>1,875,390</u>
Total net assets	<u>3,009,891</u>

Total liabilities and fund balances	<u>\$ 3,108,022</u>
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The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
September 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Federal funds	\$ 48,767	\$ 294,000	\$ 342,767
State grants	358,472	---	358,472
Local funds	103,808	---	103,808
Interest income	51,418	---	51,418
Service income	432,636	---	432,636
Miscellaneous	72,680	---	72,680
Net assets released from			
Restrictions	77,212	(77,212)	---
Total revenue and support	<u>1,144,993</u>	<u>216,788</u>	<u>1,361,781</u>
EXPENSES:			
Salary	339,104	---	339,104
Employee fringe	68,508	---	68,508
Health insurance	26,282	---	26,282
Accounting/consulting/legal	10,515	---	10,515
Depreciation	10,274	---	10,274
Bad debts	13,235	---	13,235
Consumable supplies	5,829	---	5,829
Dues and subscriptions	5,552	---	5,552
Local	13,512	---	13,512
Repairs and maintenance	7,390	---	7,390
Insurance	10,513	---	10,513
Miscellaneous	20,161	---	20,161
Postage	4,072	---	4,072
Printing and publicity	1,687	---	1,687
Utilities	8,541	---	8,541
Telephone	2,053	---	2,053
Interest	3,349	---	3,349
Housing rehab	428,522	---	428,522
Travel & Meetings	14,060	---	14,060
Total expenses	<u>993,159</u>	<u>---</u>	<u>993,159</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	151,834	216,788	368,622
NET ASSETS - Beginning of year	<u>982,667</u>	<u>1,658,602</u>	<u>2,641,269</u>
NET ASSETS - End of year	<u>\$ 1,134,501</u>	<u>\$1,875,390</u>	<u>\$ 3,009,891</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
September 30, 2012

Operating activities:

Excess of revenue and support over expenses	\$ 368,622
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	10,274
(Increase) in accounts receivable	(63,962)
Decrease in grants receivable	19,348
Increase in allowance for doubtful notes	3,280
Increase in notes payable	13,204
(Decrease) in accounts payable	(330)
Increase in accrued expenses	<u>2,768</u>

Net cash provided by operating activities 353,204

Investing activities:

RFL loans made	(458,852)
RFL loans payments received	<u>191,137</u>

Net cash used in investing activities (267,715)

Net (decrease) in cash and cash equivalents 85,489

Cash and cash equivalents as of the beginning of year 1,303,623

Cash and cash equivalents as of end of year \$ 1,389,112

Supplemental disclosures of cash flow information:

Cash paid for interest \$ 3,349

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

Note 1. Significant Accounting Policies

Entities:

The Southern Iowa Council of Governments is a public organization established by the former Iowa Code Chapter 473A and governed by 28H and 28I, and encompasses a multi-jurisdictional regional community; it is founded on, sustained by, and directly tied to local governments through local and state government laws, agreements, and other actions. As stated in the Iowa Code Chapter 28I, "The commission shall have the power and duty to make comprehensive studies and plans for the development of the area and which will eliminate planning duplication and promote economy and efficiency in the coordinated development of the area and the general welfare, convenience, safety, and prosperity of its people." The Southern Iowa Council of Governments serves the local governments and citizens in the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union. The Agency is an organization exempt from income tax under Internal Revenue Code Section 170(c)(2).

The Southern Iowa Development Group, Inc. was organized June 22, 1987, and incorporated under the Iowa Nonprofit Corporation Act, Chapter 504 A of the Code of Iowa for the following purposes: 1) To further the economic development of the region comprised of the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union, as well as the cities located therein. 2) To promote and assist the growth and development of business concerns, including small and medium sized business concerns in said area. 3) To stimulate business opportunities and development in said area as measured by increased employment, payrolls, business volume, and corresponding community benefits. The Southern Iowa Development Group, Inc. is an organization exempt from income tax under Internal Revenue Code Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 590(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Combined Statements:

The accompanying financial statements present the combination of the financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. Accordingly, the combined financial statements include all of the assets, liabilities, revenue, support, expenses, and changes in financial position for the two corporations. All significant inter-company transactions and accounts have been eliminated.

The combined financial statements are presented because (1) the Board of Directors and management of the two corporations are the same, and (2) the Southern Iowa Development Group, Inc. is financially dependent on the Southern Iowa Council of Governments for its Revolving Loan funds.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

Note 1. Significant Accounting Policies (continued)

Basis of reporting:

The financial statements of Southern Iowa Council of Governments and the affiliate have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the readers. All significant accounting policies are in accordance with accounting principles generally accepted in the United States of America.

At the end of the grant period, unearned grant funds that have been received are recorded as a liability to the grantor unless they can be carried over to the next fiscal year in which case they are carried as deferred revenue to be used for grant expenses in the future.

Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition of unearned administrative contract revenues is deferred to be used for administrative contract expenses in the future. Fees which have been earned but not received are recorded as a receivable.

Local in-kind revenue and in-kind expenses represent the donation of goods and services to the Agency. These items are valued at cost, if known, or at estimated value. Goods and services include travel.

Financial Statements Presentation:

The Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets consist of all resources over which the Organizations have discretionary control to use in carrying on the operations of the Organizations within the limitations of their charters and bylaws.

Temporarily restricted net assets are available for use but expendable only for purposes specified by the grantor. Temporarily restricted net assets are reported as increases in unrestricted net assets if the restrictions have expired or the purposes for which they were received have occurred in the reporting period.

Permanently restricted assets are assets which the Organizations are not allowed to use in their operations and must always be held by the Organizations. At September 30, 2012 the Organizations did not have any permanently restricted net assets.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

Note 1. Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are capitalized at cost. It is the organization's policy to capitalize expenditures for these items in excess of \$ 5,000. Lesser amounts are expensed. Property and equipment are being depreciated over estimated useful lives of five to forty years using a straight-line method.

Note 2. Pension and Retirement Benefits

The Southern Iowa Council of Governments contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their covered salary and the Southern Iowa Council of Governments is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. Southern Iowa Council of Governments' contribution to IPERS for the years ended September 30, 2012, 2011, and 2010 \$ 29,315, \$ 23,366, and \$ 19,984 respectively, equal to the required contributions for each year.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

Note 3. Compensated Absences

Employees of Southern Iowa Council of Governments accumulate a limited amount of earned but unused annual leave. Amounts representing unused annual leave are recorded as a liability computed on current rates of pay. The amount at September 30, 2012 was \$ 17,368.

Note 4. RLF Loan Receivable

The Southern Iowa Development Group, Inc. (SIDG) entered into an agreement with Southern Iowa Council of Governments (SICOG) to serve as a subgrantee for Revolving Loan Fund (RLF) grant SICOG obtained from the Economic Development Administration (EDA) July 13, 1987. The loans are to be repaid in monthly installments at the rate of 4%-6% per annum. EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. The Federal EDA money in the Revolving Fund at September 30, 2012, amounted to \$ 975,550. Whenever EDA terminates any RLF grant for cause, it has the right to recover residual funds and assets of the RLF grant in accordance with the legal rights of the parties.

As of September 30, 2012, the EDA RLF loan receivable balance was \$ 1,073,445.

Note 5. Allocation of Expenses

Some of the costs of providing the various programs and other activities have been allocated in the statement of activity. These allocable costs include accounting, equipment maintenance, insurance, and utilities.

Note 6. Assets Acquired with Federal Funds

Nonexpendable personal property with a unit acquisition cost of \$1,000 or more acquired with federal funds must be disposed of in accordance with federal regulations. The agency may retain the property for other uses provided that compensation is made to the original federal agency or successor by applying the federal participation in the cost of the original project multiplied by the current fair market value of the property. If the grantee has no need for the property and the property has further use value, the grantee shall request disposition instructions from the original grantor agency. At September 30, 2012, SICOG has \$ 40,631 of assets with a unit acquisition cost of \$1,000 or more acquired with federal funds. The amount of federal participation is \$ 29,608 or 72.87% of the unit acquisition costs.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

Note 7. Payable to EDSA

The long term debt is payable to a municipality which has received an Economic Department Set Aside (EDSA) grant to be used in a revolving loan fund. The municipality has requested Southern Iowa Council of Governments and Affiliate to assist in management of the fund. The funds are then to be used to meet the required local match portion of a loan or loans which will benefit the municipal community. At September 30, 2012, \$31,228 was loaned to entities for the purpose of creating jobs in the municipal area which had received the EDSA grant.

Note 8. Deposits

Southern Iowa Council of Governments deposits at September 30, 2012 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12 of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Note 9. Intercompany Transaction

At September 30, 2012 Southern Iowa Development Group owed Southern Iowa Council of Governments \$ 70,986 for the administration of the revolving loan programs. This was eliminated for the consolidated financial statements.

Note 10. Subsequent events

Management has reviewed transactions and stated there were no subsequent events that would have a material affect the financial statements from September 30, 2012 through January 10, 2013.

SUPPLEMENTAL INFORMATION

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION - BY ASSET TYPE
September 30, 2012

	Revolving Loan Restricted Assets	EDA Assistance Restricted Assets	Unrestricted Assets	Net Assets
ASSETS				
CURRENT ASSET				
Cash	\$ 601,960	\$ (7,841)	\$ 794,993	\$ 1,389,112
Accounts receivable	---	---	326,901	326,901
Grants receivable	---	---	14,253	14,253
Current portion of long term loans receivable	<u>150,753</u>	<u>---</u>	<u>---</u>	<u>150,753</u>
Total current assets	<u>752,713</u>	<u>(7,841)</u>	<u>1,136,147</u>	<u>1,881,019</u>
LONG TERM RECEIVABLE - RLF Loans	1,316,000	---	---	1,316,000
Less current portion	<u>150,753</u>	<u>---</u>	<u>---</u>	<u>150,753</u>
Total long term receivable	<u>1,165,247</u>	<u>---</u>	<u>---</u>	<u>1,165,247</u>
PROPERTY AND EQUIPMENT - at cost				
Buildings and equipment	---	---	109,799	109,799
Less accumulated depreciation	<u>---</u>	<u>---</u>	<u>48,043</u>	<u>48,043</u>
Total property and equipment	<u>---</u>	<u>---</u>	<u>61,756</u>	<u>61,756</u>
Total assets	<u>\$ 1,917,960</u>	<u>\$ (7,841)</u>	<u>\$1,197,903</u>	<u>\$ 3,108,022</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Notes payable	\$ ---	\$ ---	\$ 23,143	\$ 23,143
Accounts payable	3,501	---	1,884	5,385
Accrued expenses	<u>---</u>	<u>---</u>	<u>38,375</u>	<u>38,375</u>
Total current liabilities	<u>3,501</u>	<u>---</u>	<u>63,402</u>	<u>66,903</u>
LONG TERM LIABILITIES				
Long term debt less current portion	---	---	---	---
Payable to EDSA	<u>31,228</u>	<u>---</u>	<u>---</u>	<u>31,228</u>
Total long term liabilities	<u>31,228</u>	<u>---</u>	<u>---</u>	<u>31,228</u>
Total liabilities	<u>34,729</u>	<u>---</u>	<u>63,402</u>	<u>98,131</u>
NET ASSETS				
Unrestricted				
Undesignated net assets	---	---	1,134,501	1,134,501
Temporarily restricted				
Net assets	<u>1,883,231</u>	<u>(7,841)</u>	<u>---</u>	<u>1,875,390</u>
Total net assets	<u>1,883,231</u>	<u>(7,841)</u>	<u>1,134,501</u>	<u>3,009,891</u>
Total liabilities and net assets	<u>\$ 1,917,960</u>	<u>\$ (7,841)</u>	<u>\$1,197,903</u>	<u>\$ 3,108,022</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY - BY NET ASSET TYPE
Year Ended September 30, 2012

	Revolving Loan Restricted Assets	EDA Assistance Restricted Assets	Unrestricted Assets	Total Net Assets
REVENUE AND SUPPORT:				
Federal funds	\$ 231,000	\$ 63,000	\$ 48,767	\$ 342,767
State grant	---	---	358,472	358,472
Local funds	---	34,500	69,308	103,808
Interest income	51,025	---	393	51,418
Service income	---	---	432,636	432,636
Miscellaneous	18,436	---	54,244	72,680
Total revenue and support	<u>300,461</u>	<u>97,500</u>	<u>963,820</u>	<u>1,361,781</u>
EXPENSES:				
Salary	34,480	71,498	233,126	339,104
Employee fringe	6,033	13,615	48,860	68,508
Health insurance	3,136	5,856	17,290	26,282
Housing rehab	---	---	428,522	428,522
Bad debts	13,235	---	---	13,235
Accounting/consulting/legal	2,258	1,580	6,677	10,515
Depreciation	---	---	10,274	10,274
Consumable supplies	646	1,451	3,732	5,829
Dues and subscriptions	24	4,668	860	5,552
Local	---	---	13,512	13,512
Repairs and maintenance	177	526	6,687	7,390
Insurance	928	2,057	7,528	10,513
Miscellaneous	---	---	20,161	20,161
Postage	552	1,302	2,218	4,072
Printing and publicity	3,062	3,814	(5,189)	1,687
Utilities	843	1,765	5,933	8,541
Telephone	65	604	1,384	2,053
Interest	---	---	3,349	3,349
Travel & meetings	315	6,683	7,062	14,060
Total expenses	<u>65,754</u>	<u>115,419</u>	<u>811,986</u>	<u>993,159</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	234,707	(17,919)	151,834	368,622
FUND BALANCES - Beginning of year	<u>1,648,524</u>	<u>10,078</u>	<u>982,667</u>	<u>2,641,269</u>
FUND BALANCES - End of year	<u>\$ 1,883,231</u>	<u>\$ (7,841)</u>	<u>\$ 1,134,501</u>	<u>\$ 3,009,891</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
REVOLVING LOANS
Year Ended September 30, 2012

	Housing RLF	Farmers Home Administration RLF	Economic Development Administration RLF
REVENUE AND SUPPORT:			
Federal funds	\$ ---	\$ ---	\$ 231,000
Interest income	4,452	1,458	44,982
Loan origination fees	<u>11,919</u>	<u>---</u>	<u>6,517</u>
Total revenue and support	<u>16,371</u>	<u>1,458</u>	<u>282,499</u>
EXPENSES:			
Salary	13,000	1,714	19,766
Employee fringe	3,191	299	2,543
Health insurance	1,734	109	1,293
Bad debts	4,234	---	9,001
Accounting/consulting/legal	1,043	380	835
Consumable supplies	241	106	299
Dues & subscriptions	---	---	24
Insurance	570	40	318
Postage	335	56	161
Printing and publicity	1,838	54	1,170
Utilities	481	45	317
Telephone	36	4	25
Repairs	53	23	101
Travel & meetings	<u>51</u>	<u>---</u>	<u>264</u>
Total expenses	<u>26,807</u>	<u>2,830</u>	<u>36,117</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	(10,436)	(1,372)	246,382
FUND BALANCES - Beginning of year	<u>453,973</u>	<u>127,553</u>	<u>1,072,871</u>
FUND BALANCES - End of year	<u>\$ 443,537</u>	<u>\$ 126,181</u>	<u>\$ 1,319,253</u>

Economic Development Set Aside RLF	Total Revolving Loan Funds (RLF)
\$ ---	\$ 231,000
133	51,025
---	18,436
<u>133</u>	<u>300,461</u>
---	34,480
---	6,033
---	3,136
---	13,235
---	2,258
---	646
---	24
---	928
---	552
---	3,062
---	843
---	65
---	177
---	<u>315</u>
---	<u>65,754</u>
133	234,707
(5,873)	<u>1,648,524</u>
<u>\$ (5,740)</u>	<u>\$ 1,883,231</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
COMBINED STATEMENT OF ACTIVITY
EDA ASSISTANCE GRANTS
Year Ended September 30, 2012

	Grant No. 05- 83-04944	Grant No. 05- 83-04944	Total
REVENUE AND SUPPORT:			
Federal funds	\$ 31,500	\$ 31,500	\$ 63,000
Local funds	<u>21,000</u>	<u>13,500</u>	<u>34,500</u>
Total revenue and support	<u>52,500</u>	<u>45,000</u>	<u>97,500</u>
EXPENSES:			
Salary	36,778	34,720	71,498
Employee fringe	6,976	6,639	13,615
Health insurance	3,066	2,790	5,856
Accounting/consulting/legal	---	1,580	1,580
Consumable supplies	744	707	1,451
Dues and subscriptions	4,572	96	4,668
Insurance	1,061	996	2,057
Postage	625	677	1,302
Printing and publicity	1,622	2,192	3,814
Utilities	830	935	1,765
Telephone	361	243	604
Repairs	273	253	526
Travel & meetings	<u>2,790</u>	<u>3,893</u>	<u>6,683</u>
Total expenses	<u>59,698</u>	<u>55,721</u>	<u>115,419</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	(7,198)	(10,721)	(17,919)
FUND BALANCES - Beginning of year	<u>---</u>	<u>10,078</u>	<u>10,078</u>
FUND BALANCES - End of year	<u>\$ (7,198)</u>	<u>\$ (643)</u>	<u>\$ (7,841)</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Commerce</u>			
Direct programs:			
Economic Development Assistance Title IX Long-Term Economical Deterioration Revolving Loan Fund Grant	11.307	05-39-02265	\$ 373,593
Deterioration Revolving Loan Fund Grant	11.307	05-39-226501	215,011
Economic Adjustment Grant RLF	11.307	05-79-04736	386,946
Support for Planning Organizations	11.302	05-83-04404	<u>63,000</u>
Total U.S. Department of Commerce			<u>1,038,550</u>
<u>U.S. Department of Transportation</u>			
Passed through Iowa Department of transportation:			
Intermodal Transportation Planning	20.205	FHWA	30,538
Grant for Urbanized Area	20.509	FTA 5311	<u>18,229</u>
Total U.S. Department of Transportation			<u>48,767</u>
Total expenditures of federal awards			<u>\$ 1,087,317</u>

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REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS.

To the Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

I have audited the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of and for the year ended September 30, 2012 and have issued my report thereon dated January 10, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Southern Iowa council of Governments and Southern Iowa Development Group, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Groups, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Groups, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s combined financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that required to be reported under *Government Auditing Standards*

This report, is intended solely for the information and use of the Board of Directors, management, and others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ted Wilber CPA
Creston, Iowa
January 10, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

Compliance

I have audited Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal program for the year ended September 30, 2012. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements.

In my opinion, Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express such an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in the internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, managers, and others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

T. J. Willett CPA

Creston, Iowa
January 10, 2013

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
Schedule of Prior Year Audit Findings
Year Ended September 30, 2012

Prior Year Audit Findings

Finding 11-01 Title IX Long-Term Economic Deterioration revolving Loan Fund Grant

Condition: This finding was a reportable condition stating that the required lending levels of the revolving loans outstanding were not met at September 30, 2011. The finding stated that the organization did not meet the EDA level of effort in the administration of the revolving loan fund. EDA could require that the funds that were under the level could be sequestered.

Follow-up: The organization did sequester funds and are now in compliance with grant requirements.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
SCHEDULE OF FINDINGS
Year Ended September 30, 2012

Summary of the Independent Auditor's Results

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Southern Iowa Council of Governments and Affiliate
2. There are no reportable conditions relating to the audit of the combined financial statements.
3. No instances of noncompliance material to the combined financial statements of Southern Iowa Council of Governments and Affiliate, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no reportable conditions relating to the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Southern Iowa Council of Governments and Affiliate expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that were required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program include:

Name of federal program	CFDA number
Title IX Long-Term Economic Deterioration Revolving Loan Fund Grant	11.307

8. The threshold used for distinguishing between Type A and B programs was \$300,000
9. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc, did qualify as a low risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None